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NORWAY

Key Economic Indicators

(Millions of U.S. Dollars unless otherwise indicated)

	1999	2000	2001 1/
Income, Production and Employment:			
Nominal GDP	153,526	161,807	164,700
Real GDP Growth (pct) 2/	1.1	2.3	2.4
Real Mainland GDP Growth (pct)	1.0	1.8	1.5
GDP by Sector:			
Agriculture	2,942	2.642	2,600
Manufacturing	16,627	14,795	14,900
Oil and Gas Production	21,756	38,780	38,400
Services	87,324	82,841	84,300
Government	23,944	24,739	26,600
Per Capita GDP (US$)	34,423	36,037	36,519
Labor Force (000s)	2,330	2,350	2,360
Unemployment Rate (pct)	3.2	3.4	3.3
Money and Prices (annual percentage growth):			
Money Supply Growth (M2)	5.5	8.5	8.0
Consumer Price Inflation	2.3	3.1	3.3
Exchange Rate (NOK/US$ - annual average)	7.8	8.8	9.0
Balance of Payments and Trade:			
Total Exports FOB	45,680	60,136	58,800
Exports to United States 3/	4,051	5,710	5,650
Total Imports CIF	35,474	34,386	35,400
Imports from United States 3/	1,440	1,544	1,900
Trade Balance	10,206	25,750	24,400
Balance with United States	2,611	4,166	3,750
External Public Debt	922	850	750
Fiscal Surplus/GDP (pct)	2.7	10.8	14.6
Current Account Surplus/GDP (pct)	3.9	14.3	13.7
Debt Service Payments/GDP (pct)	42	72	100
Gold and Foreign Exchange Reserves 4/	24,819	27,939	29,000
Aid from United States	0	0	0
Aid from All Other Sources	0	0	0

1/ 2001 figures are all estimates based on monthly data in October 2001.
2/ Growth figures are based on local currency GDP values.
3/ U.S. Department of Commerce statistics.
4/ Includes gold but excludes assets in the state petroleum fund.

1. General policy framework

Exploitation of Norway's major non-renewable energy resources, crude oil and natural gas, will most likely remain the major foundation for production and income growth for at least the next three decades. On Norway's offshore continental shelf, remaining oil reserves, discovered plus undiscovered, will last for some 30 years at current extraction rates, while the equivalent figure for natural gas is about 125 years. On the mainland, energy-intensive industries such as metal processing and fertilizer production will remain prominent thanks to abundant hydropower resources.

Some constraints continue to limit Norway's economic flexibility and ability to maintain international competitiveness. Labor availability remains limited by Norway's small 4.5 million population and a restrictive immigration policy. Norway is also a high-cost country with a centralized collective wage bargaining process and government- provided generous social welfare benefits. Norway’s small agricultural sector remains protected from international competition by subsidies and other barriers to trade.

State intervention in the economy remains significant. The government owns up to 50 percent of domestic businesses, although part-privatization of state oil firm, Statoil, and state telecoms group, Telenor, has taken place over the past year. In December 2000, the Government of Norway proposed part-privatization of Statoil, up to one-third of the company, and the sale of 21.5 percent of the State Direct Financial Interest (SFDI) to Statoil, 15 percent, and other oil companies, 6.5 percent. Parliament agreed to the Government of Norway’s plan, and 23 percent of Statoil was sold in an initial stock market offering on June 18, 2001. Telenor, meanwhile, was part-privatized in December 2000, leaving the government with a stake of 78 percent. In June 2000, the Government of Norway announced that the state stake in Telenor may be cut to 34 percent. While part-privatization has been taken place, the state is expected to remain in effective control of Statoil, Telenor, and Norway's two leading banks by keeping stakes of at least one-third, enough to control the boards of these enterprises. While new legislation governing investment was implemented in 1995 to meet European Economic Area (EEA) and WTO obligations, screening of foreign investment and restrictions on foreign ownership remains.

The government's dependence on petroleum revenue has increased substantially since the early 1970's, generating 33.5 percent of total government 2001 revenue. Since 1995, Norway has been a net foreign creditor and has posted budget surpluses. The surpluses are transferred to a petroleum fund and invested in foreign assets (an estimated US$67 billion at the end of 2001) to meet future spending.

No general tax incentives exist to promote investment. Tax credits and government grants are offered, however, to encourage investment in northern Norway; and tax incentives are granted to encourage the use of environmentally-friendly products such as liquid gas driven buses and the electric car. Several specialized state banks provide subsidized loans to sectors including agriculture and fishing. Transportation allowances and subsidized power are also available to industry. Norway and the EU have preferential access to each other's markets, except for the agricultural and fisheries sectors, through the EEA agreement, which entered force in January 1994. Although in a 1994 national referendum Norwegians rejected a proposal to join the EU, Norway routinely implements most EU directives as required by the EEA.

The government controls the growth of the money supply through reserve requirements imposed on banks, open market operations, and variations in the central bank overnight lending rate. The central bank's flexibility in using the money supply as an independent policy instrument is limited by the government's priority to maintain a stable rate of exchange.

2. Exchange rate policy

The government aims to keep the Norwegian currency (krone) stable. On March 29, 2001, the government issued a new regulation on monetary policy, with the introduction of an inflation target of 2.5 percent. The central bank noted that the new policy guidelines would few implications for Norwegian foreign exchange rate policy because stable inflation goes along with currency stability.

By way of background, the Norwegian krone was un-pegged from the European Currency Unit (ECU) in December 1992. Since 1994, the government's stated policy has been to maintain krone stability vis-à-vis European currencies. The central bank uses interest rates and open market operations to foster currency stability in a managed float. With the introduction of the euro January 1, 1999, Norwegian policy was to keep the krone stable against the euro.

Quantitative restrictions on credit flows from private financial institutions were abolished in the late 1980's. Norway dismantled most remaining foreign exchange controls in 1990. U.S. companies operating within Norway have not reported any problems to the embassy in remitting payments.

3. Structural policies

The government's top economic priorities include maintaining high employment, generous welfare benefits, and rural development. These economic priorities are part of Norway's regional policy of discouraging internal migration to urban centers in the south and east and of maintaining the population in the north and other sparsely populated regions. Thus, parts of the mainland economy, particularly agriculture and rural industries, remain protected and cost-inefficient from a global viewpoint with Norway's agricultural sector being the most heavily subsidized in the OECD. While some progress has been made in reducing subsidies in the manufacturing industry, support remains significant in areas including food processing and shipbuilding.

A revised legal framework for the functioning of the financial system was adopted in 1988, strengthening competitive forces in the market and bringing capital adequacy ratios more in line with those abroad. Further liberalization in the financial services sector occurred when Norway joined the EEA and accepted the EU's banking directives. The Norwegian banking industry has returned to profitability following reforms prompted by the banking crises in the early 1990's.

Norway has taken some steps to deregulate the non-bank service sector. Although large parts of the transportation markets, including railways, remain subject to restrictive regulations, including statutory barriers to entry, deregulation of government telecommunications services has taken place since 1998.

4. Debt management policies

The state’s exposure in international debt markets remains very limited thanks to the Norway's growing oil wealth and the country’s prudent budgetary and foreign debt policies. The government's gross external debt situation significantly improved in 1990’s, declining from about US$ 10 billion in 1993 to about US$ 750 million in 2001. Norway’s status changed from a net debtor to a net creditor country in 1995 largely because of the oil/gas-boosted budgetary surpluses.

5. Significant Barriers to U.S. Exports

Norway is a member of the WTO and supports free trade principles, but barriers to trade remain in place. The government maintains high agricultural tariffs that are administratively adjusted when internal market prices fall outside certain price limits. These unpredictable administrative tariff adjustments disrupt advance purchase orders and limit agricultural imports into Norway from the U.S. and other distant markets.

State ownership in Norwegian industry continues to complicate competition in a number of sectors including telecommunications, financial services, oil and gas, and alcohol and pharmaceutical distribution. Despite some ongoing reforms, Norway still maintains regulatory practices, certification procedures and standards that limit market access for U.S. materials and equipment in a variety of sectors, including telecommunications and oil and gas materials and equipment. U.S. companies, particularly in the oil and gas sector, operate profitably in Norway.

While there has been substantial banking reform, competition in this sector still remains limited due to government part-ownership of the two largest commercial banks, and the existence of specialized state banks, which offer subsidized loans in certain sectors and geographic locations.

Restrictions also remain in the distribution of alcohol, which historically has been handled through state monopolies, and in the way pharmaceutical drugs are marketed. Norway is obligated to terminate these monopolies under the EEA accord but implementation is slow. The European Free Trade Association (EFTA) surveillance agency (ESA - the organization responsible for insuring EEA compliance) has been monitoring Norway's progress in these areas.

6. Export Subsidy Policies

As a general rule, the Norwegian government does not subsidize exports, although some heavily subsidized goods, such as cheese, may be exported. The government indirectly subsidizes chemical and metal exports by subsidizing the electricity costs of manufacturers. In addition, the government provides funds to Norwegian companies for export promotion purposes. Norway is reducing its agricultural subsidies in stages over six years in accordance with its WTO obligations. Norway has also ratified the OECD shipbuilding subsidy agreement and has indicated it will eliminate shipbuilding subsidies after other major shipbuilders including the United States and Japan ratify the agreement.

7. Protection of U.S. Intellectual Property

Norway is a signatory of the main intellectual property accords, including the Berne Copyright and Universal Copyright Conventions, the Paris Convention for the Protection of Industrial Property, and the Patent Cooperation Treaty. Any adverse impact of Norwegian IPR practices on U.S. trade is negligible.

Norwegian officials believe that counterfeiting and piracy are the most important aspects of intellectual property rights protection. They complain about the unauthorized reproduction of furniture and appliance designs and the sale of the resultant goods in other countries, with no compensation to the Norwegian innovator.

Product patents for pharmaceuticals became available in Norway in January 1992. Previously, only process patent protection was provided to pharmaceuticals.

8. Worker rights

a. Right of Association: Workers have the right to associate freely and to strike. The government can invoke compulsory arbitration under certain circumstances with the approval of parliament.

b. The Right to Organize and Bargain Collectively: All workers, including government employees and the military, have the right to organize and to bargain collectively. Labor legislation and practice is uniform throughout Norway.

c. Prohibition of Forced or Compulsory Labor: The Government of Norway prohibits forced and compulsory labor by law.

d. Minimum Age for Employment of Children: Children are not permitted to work full time before age 18. However, children 13 to 18 years may be employed part-time in light work that will not adversely affect their development.

e. Acceptable Conditions of Work: Ordinary working hours do not exceed 37.5 hours per week, and four weeks plus three days of paid leave are granted per year. There is no minimum wage in Norway, but wages normally fall within a national wage scale negotiated by labor, employers, and the government. The Workers' Protection and Working Environment Act of 1977 assures all workers safe and physically acceptable working conditions.

f. Rights in Sectors with U.S. Investment: Norway has a tradition of protecting worker rights in all industries, and sectors where there is heavy U.S. Investment are no exception.

Extent of U.S. Investment in Selected Industries -- U.S. Direct Investment Position Abroad on an Historical Cost Basis **--** 2000

(Millions of U.S. Dollars)

Category		Amount
Petroleum		4,192
Total Manufacturing		810
Food & Kindred Products	(D)	
Chemicals & Allied Products	19	
Primary & Fabricated Metals	9	
Industrial Machinery and Equipment	210	
Electric & Electronic Equipment	7	
Transportation Equipment	-11	
Other Manufacturing	(D)	
Wholesale Trade		325
Banking		(D)
Finance/Insurance/Real Estate		609
Services		253
Other Industries		(D)
TOTAL ALL INDUSTRIES		6,303

(D) Suppressed to avoid disclosing data of individual companies.
Source: U.S. Department of Commerce, Bureau of Economic Analysis.